

§ 892.102 What is premium conversion and how does it work?

Premium conversion is a method of reducing your taxable income by the amount of your contribution to your FEHB insurance premium. If you are a participant in the premium conversion plan, Section 125 of the Internal Revenue Code allows you to reduce your salary (through an employer allotment) and provide that portion of your salary back to your employer. Instead of being paid to you as taxable income, this allotted amount is used to purchase your FEHB insurance for you. The effect is that your taxable income is reduced. Because taxable income is reduced, the amount of tax you pay is reduced. You save on Federal income tax, Social Security and Medicare tax and in most States and localities, State and local income taxes.

§ 892.103 What can I do if I disagree with my agency's decision about my pre-or post-tax election?

You may use the reconsideration procedure set out at §§ 890.104 of this chapter to request an agency to reconsider its initial decision affecting your participation in the premium conversion plan.

Subpart B—Eligibility and Participation

§ 892.201 Who is covered by the premium conversion plan?

(a) All employees in the Executive Branch of the Federal Government who are participating in the FEHB Program (as described in 5 U.S.C. 8901), and whose pay is issued by an agency of the Executive Branch of the Federal Government, are automatically covered by the premium conversion plan. Certain reemployed annuitants may be considered employees for purposes of premium conversion, as described in subpart D of this part.

(b) Employees of organizations that have established a premium conversion plan under separate authority prior to October 2000 may not participate in the premium conversion plan described here because they are already covered by their employing agency's plan.

(c) Individuals enrolled in FEHB who are not employees of the Executive

Branch of the Federal government or are not employees of the Federal government, will be covered by the premium conversion plan if their employer signs an adoption agreement that is accepted by OPM.

(d) Individuals enrolled in FEHB who are appointed by an agency in the Executive Branch, but whose pay is not issued by that agency, will be covered by the premium conversion plan if the entity that makes their FEHB contribution signs an adoption agreement that is accepted by OPM.

(e) Individuals may waive premium conversion by filing a waiver form with their employer in accordance with this part.

§ 892.202 Are retirees eligible for the premium conversion plan?

No, only current employees who are enrolled in the FEHB Program are covered by the premium conversion plan. Former employees are not eligible. If you are a reemployed annuitant, see subpart D of this part.

§ 892.203 When will my premium conversion begin?

If you are newly employed or newly eligible for FEHB in a covered Executive Branch agency (as described in § 892.201(a)), your salary reduction (through a Federal allotment) and pre-tax benefit will be effective on the 1st day of the first pay period beginning on or after your employing agency receives your enrollment.

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§ 892.204 How do I waive participation in premium conversion before the benefit first becomes effective?

You must file a waiver form by the date set by your employing office, but not later than the day before the effective date of coverage. The waiver form is available from your employing office.

§ 892.205 May I waive participation in premium conversion after the initial implementation?

Yes, but the opportunity to waive premium conversion is limited. You may waive premium conversion:

(a) During the annual FEHB open season. The effective date of the waiver